

CALIFORNIA ENERGY COMMISSION1516 NINTH STREET
SACRAMENTO, CA 95814-5512

**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

Implementation of Restructuring)	Docket No. 98-REN-New
Legislation (Public Utilities Code)	Notice of Business Meeting
Sections 381, 383.5 and 445)	Guideline Changes
[AB 1890, SB 90]: Renewables)	New Renewable Resources Account
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**NOTICE OF SUBSTANTIVE CHANGES TO THE
GUIDELINES FOR THE NEW RENEWABLE RESOURCES ACCOUNT**

The Energy Commission's Business Meeting will be held:

WEDNESDAY, August 14, 2002
10 a.m.
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Hearing Room A
Sacramento, California
(Wheelchair Accessible)

As part of its regular Business Meeting, the Energy Commission will consider a recommendation by the Commission's Environmental and Energy Infrastructure and Licensing Committee (Committee) to make substantive changes to the *Guidebook for the Renewable Energy Program, Volume 2A – New Renewable Resources Account* (*Guidebook*, publication number P500-01-014V2A).

The Energy Commission has held three auctions to award financial incentives to new renewable electricity generating facilities since the Renewable Energy Program began operating in January 1998. In each of these auctions, Rule 9 of the auction procedures specifies what happens when the last winning bid in an auction causes the expected total payouts to exceed the available funds in that auction. In summary, Rule 9 states that in these cases a bidder's award will be reduced to fit within the amount of available funding, and if that reduction exceeds 25 percent of the requested amount, the Energy Commission can change the auction closing procedures.

The Committee is recommending that Rule 9 be revised so that if funds from an auction become available through funding award cancellations or reductions applied to winning bidders, the Energy Commission has the discretion to reallocate some or all of those funds to any winning bidders in the same auction whose awards were reduced under Rule 9.

A copy of the revisions to the *Guidebook* is attached with changes shown in underline and strikeout format. Once approved by the Commission, the recommended changes will be incorporated and made available through the Commission's website at <www.energy.ca.gov>. A copy of the revised *Guidebook* may also be obtained from the Commission's Publications Unit by calling (916) 654-4295 and requesting publication number P500-01-014V2A or by submitting a written request to the Publications Unit at: 1516 Ninth Street, MS-45, Sacramento, CA 95814.

Assistance

The Energy Commission's Public Adviser provides assistance to the public regarding Energy Commission procedures and participation in Energy Commission activities. Anyone wishing to obtain information on how to participate in this meeting may reach the Public Adviser's Office by phone at (916) 654-4489, toll free at (800) 822-6228, or by e-mail at [pao@energy.state.ca.us]. If you have a disability and need assistance to participate in this hearing, please contact Lou Quiroz at (916) 654-4222. Technical questions regarding the subject matter of this notice may be addressed to Suzanne Korosec at (916) 654-4516, or by e-mail at [skorosec@energy.state.ca.us]. News media should direct inquiries to Assistant Director Claudia Chandler at (916) 654-4989.

Date: August 1, 2002

**STATE OF CALIFORNIA ENERGY
RESOURCES CONSERVATION AND
DEVELOPMENT COMMISSION**

ROBERT PERNELL
Commissioner and Presiding Member
Environmental and Energy Infrastructure and Licensing Committee

Date Mailed: August 1, 2002
Mass Mail List: Master63/New

**PROPOSED CHANGES TO THE
GUIDEBOOK FOR THE
RENEWABLE ENERGY PROGRAM, VOLUME 2A
NEW RENEWABLE RESOURCES ACCOUNT
Pages 13-14**

evaluated, the qualified bids will be ranked according only to their respective incentive payment requests, in order of lowest incentive payment request to highest, and the results of the auction will be determined according to the rules described below:

1. To be eligible for consideration, bids must be sealed, delivered to the California Energy Commission as specified in the Notice of Auction, and must contain all required bid information.
2. Only one bid per project should be submitted. If two or more bids are found to refer to the same proposed project, the bid with the lowest incentive payment request will be considered, or if equivalent, only one bid will be considered at random.
3. Bids will not be accepted with incentive payment requests for more than 1.5 cents/kWh.
4. Bids will be considered for inclusion in the order of lowest incentive payment request to highest. If including a bid under consideration does not cause the account funds to be equaled or exceeded by the expected total payouts (defined in Rule 8), the bid will be considered a winning bid. If including a bid under consideration causes funds to be equaled or exceeded, or all bids have been considered, the auction will be closed as described in rules 9 or 10 respectively.
5. Bids with equal incentive payment requests will be added as a group to the list of winning bidders, as if they are a single bid. Rule 9 describes what occurs when a group of bids being considered causes the auction to be closed. The auction will not attempt to break ties through additional bid criteria beyond incentive payment requests.
6. When the auction is closed, any remaining funds in the account will be held in trust for reallocation in either a subsequent auction or as otherwise determined by the Commission pursuant to Section 383.5 of the Public Utilities Code.
7. Bids will not be accepted if the total incentive that may be paid to the project, calculated as the product of the expected generation of the project for five years and the incentive payment request in the bid, exceeds 25 percent of the auction funds.
8. Expected total pay outs will be calculated by adding up the expected payouts to each project included or under consideration, calculated as the expected generation in each bid (over five years) multiplied by the incentive payment request in each bid.
9. If a bid or group of bids under consideration causes the expected total payouts to exceed the funds in the account, the auction will be closed by: reducing the projected generation amounts in the bids under consideration by a percentage amount that will result in the expected total payouts being equal to the account funds, giving those bidders the option of withdrawing their reduced bids from

consideration, including bids that are not withdrawn as winning bids, and closing the auction. If funds become available subsequent to the auction because of funding award cancellations or reductions applied to winning bidders in that same auction, the Energy Commission may, at its discretion, reallocate a portion or all of those funds to winning bidders whose awards from that auction were reduced pursuant to this rule. ~~If the percentage reduction in projected generation exceeds 25 percent, the Energy Commission may, at the Commission's discretion, change the auction closing procedure.~~

10. If all bids have been considered and accepted while expected total payouts remain less than or equal to the funds in the account, then the auction will be closed.

Additional rules may be specified in the applicable Notice of Auction, including rules specifying an incentive bonus for projects that come on-line ahead of schedule or by specified dates and rules establishing a fixed award reduction for projects that are not on-line on schedule or by specified dates.

What Happens After The Auction

Bidders will be notified by mail of the results of an auction within two months of the date of the auction.

If You Win

Winners of an auction will be provided with a written notification that their bid has been accepted. A winning bidder is not, however, assured of payment, nor is any payment implied or to be assumed, until the Energy Commission has adopted a project award package or funding award for the proposed project. Winning bidders and Commission staff will work together to develop project award packages and funding awards for each winning project.

The project award package or funding award will document the winning project's eligibility, status as auction winner, applicable milestones prior to payment, and expected payment amounts and schedule. The project award package or funding award will serve as the basis for adopting a winning project's funding award at a publicly-noticed Energy Commission hearing.

Winning projects will be required to meet a series of project development and construction milestones between an auction and the expected on-line date, and to submit periodic reports to the Commission describing their progress. These milestones and reports will help the Energy Commission track the progress of projects and distinguish between projects that have a serious intent and opportunity of becoming operational, and those that will not become or will have difficulty becoming operational.